

## MEXICO'S \$7 BILLION MAYAN TRAIN AND SOUTHEAST PROGRAM – AN OVERVIEW

Mexico's President Andrés Manuel López Obrador (AMLO), through the National Tourism Fund (*Fondo Nacional de Fomento al Turismo* – FONATUR), is pushing ahead with the ambitious plan to build a 900-mile (1,440-km) railway project that will cross the Yucatán Peninsula.

This project, known as the Mayan Train (*Tren Maya*), is estimated to cost between US\$6.5 billion and US\$7 billion. The proposed railway will connect the coastal resorts of Cancún and Tulum with towns, cities and tourist attractions across five Mexican states in the Yucatán Peninsula. The project will be developed jointly between government bodies and the private sector, and is expected to boost the economy, leverage tourism and bring "hundreds of thousands" of jobs to one of Mexico's most marginalized regions.

Construction of the initial works will be procured through a traditional public works scheme rather than under a public private partnership (PPP) approach, as it had been initially planned by FONATUR.

### What's the aim?

The Mayan Train is AMLO's flagship infrastructure project. He describes it as a "social" project that would boost tourism and commerce in the Yucatán Peninsula, as well as encourage some of the 16 million tourists who choose to stay in the region's coastal resorts to visit historical sites such as Palenque and Chichén Itza.

As part of the Mayan Train project, FONATUR plans to develop the areas surrounding the projected train stations with shopping centers, vacation resorts and warehouses. These additional developments may be funded through the placement and issuance of structured public instruments commonly used in the Mexican real estate sector such as "FIBRAS" (Mexican Real Estate Investment Trusts) and "CKDs" (*Certificados de Capital de Desarrollo*).

### Who is in charge?

The Mayan Train project requires the participation of several governmental bodies and other private sector organizations. Those coordinating the government-led efforts include:

- FONATUR

- Ministry of Finance (*Secretaría de Hacienda y Crédito Público – SHCP*)
- Ministry of Environment (*Secretaría de Medio Ambiente y Recursos Naturales – SEMARNAT*)
- Ministry of Transportations (*Secretaría de Comunicaciones y Transportes – SCT*)
- Agency for Railway Transport (*Agencia Reguladora de Transporte Ferroviario – ARTF*)

Private sector participation will be channelled through both the engagement of independent consultants by FONATUR and the contractors bidding in the tender for the mega project. In addition, certain universities and international organizations will assist FONATUR on the design, feasibility and structuring studies required for the project. Those organizations include:

- National Polytechnic Institute of Mexico (*Instituto Politécnico Nacional – IPN*)
- National Autonomous University of Mexico (*Universidad Autónoma de México – UNAM*)
- United Nations Office for Project Service (UNOPS)
- United Nations Human Settlements Programme (ONU HABITAT).

In August 2019, the consortium comprising Senermex Ingeniería y Sistemas, Daniferrottools, Geotecnia y Supervisión Técnica and Key Capital won the first international tender awarded for basic engineering studies, such as topography, cartography and geophysics. More than 85 companies have expressed their interest to participate in the tender process for the construction of Phase 1.

## **How will it be structured?**

The project will be divided into two phases and seven segments. Phase 1, covering the northern section, will be tendered first and will include five segments.<sup>1</sup> Phase 2 will follow, covering the southern section, and will include the remaining two segments. The award for Phase 1 will be announced in mid-April 2020, with construction under a traditional public works scheme scheduled to start on April 30, 2020.

The Mayan Train route is expected to be 900 miles (1,440km) long, and FONATUR has stated that it will be built on federal property alongside existing highways, electricity transmission lines or railways to mitigate land acquisition risk and avoid expropriation-related delays.

Originally, FONATUR has proposed to split the tender into seven railroad PPP contracts, seven rolling stock PPP contracts and a single operation contract. However, in light of the approach taken for the construction of Phase 1, it is expected that FONATUR will rely heavily on traditional public works contracts even if some space for private participation under a more limited PPP program

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<sup>1</sup> Palenque – Escárcega (226km), Escárcega – Calkiní (254km), Calkiní – Izamal (140km), Izamal – Tulum (196km) and Cancún – Tulum (135km).

remains. The federal government is expected to pay approximately 70% of the Mayan Train project costs.

### Southeast Modernization Program

AMLO's vision is for the Mayan Train to boost the economy of the southern and southeastern states of Mexico, which would be accomplished together with two other strategic programs: the Isthmus of Tehuantepec Trade Corridor (ITTC) and the Yucatan Energy Comprehensive Program (YECP).

The ITTC, which is expected to compete with the Panama Canal for intercontinental maritime traffic, comprises the modernization of existing infrastructure, such as the Isthmus Railway, the ports of Coatzacoalcos in Veracruz and Salinas Cruz in Oaxaca and several roads. The Mexican government, through Ferrocarril del Istmo de Tehuantepec, S.A. de C.V., as the concessionaire of the Isthmus Railway, has awarded five contracts for the modernization of 186 miles (300km) of existing infrastructure, with an approximate aggregate value of US\$170 million.

The YECP consists of the tendering of several energy projects to guarantee the electricity supply across the Yucatan Peninsula. The program, which will be developed by Mexico's Energy Federal Commission (*Comisión Federal de Electricidad – CFE*), comprises the tendering of six transmission projects during 2020-2024 for the construction of 120 miles (193km) of transmission infrastructure, a combined-cycle power plant in Merida and the second phase of the Cuxtal pipeline to supply natural gas to the Riviera Maya combined-cycle power plant.

### Project Map



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